

**MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
COUNTIES OF MECOSTA AND ISABELLA, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Millbrook-Rolland Township Fire Department	County Isabella/Mecosta
Fiscal Year End March 31, 2006	Opinion Date August 14, 2006	Date Audit Report Submitted to State October 8, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide financial statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance sheet - Governmental funds	5
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net	
Assets	6
Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Governmental	
Funds	7
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds to the Statement of	
Activities	8
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual	9
Notes to Financial Statements	10-18
COMMENTS AND RECOMMENDATIONS	19

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Millbrook-Rolland Township Fire Department
Mecosta and Isabella Counties, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Millbrook-Rolland Township Fire Department, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Millbrook-Rolland Township Fire Department's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Millbrook-Rolland Township Fire Department Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Millbrook-Rolland Township Fire Department
Independent Auditors' Report
Page Two

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

In my opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Millbrook-Rolland Township Fire Department, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(c), the Millbrook-Rolland Township Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The Millbrook-Rolland Township Fire Department has not presented a management and discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

Bary E. Vandell, CPA, PC

August 14, 2006

BASIC FINANCIAL STATEMENTS

Millbrook-Rolland Township Fire Department
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 131,602
Investments	75,000
Capital assets (net of accumulated depreciation):	
Land	10,000
Buildings	4,247
Fire trucks, pumpers, and trailers	139,053
Minor equipment	<u>31,721</u>
Total Assets	<u>391,623</u>
 LIABILITIES	
Accounts payable	<u> </u>
Total liabilities	<u> </u>
 NET ASSETS	
Unrestricted	<u>391,623</u>
Total net assets	<u><u>\$ 391,623</u></u>

See notes to financial statements

Millbrook-Rolland Township Fire Department
Government-Wide
Statement of Activities
For The Year Ended March 31, 2006

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Public safety	\$ 49,494	\$ 8,500	\$ 71,775	\$
Other:				
Depreciation	<u>51,637</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$101,131</u>	<u>\$ 8,500</u>	<u>\$ 71,775</u>	<u>\$</u>

General revenues:

Interest
 Rents
 Donations
 Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expenses)
Revenues and
Changes in
Net Assets**

\$ 30,781

(51,637)

(20,856)

1,295

1,200

1,000

4,458

7,953

(12,903)

404,526

\$ 391,623

Millbrook-Rolland Township Fire Department
Balance Sheet
Governmental Funds
March 31, 2006

	Special Revenue Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 131,602	\$ 131,602
Investments	<u>75,000</u>	<u>75,000</u>
Total Assets	<u>\$ 206,602</u>	<u>\$ 206,602</u>
FUND BALANCES		
Fund balances:		
Unreserved	<u>\$ 206,602</u>	<u>\$ 206,602</u>
Total fund balances	<u>\$ 206,602</u>	<u>\$ 206,602</u>

See notes to financial statements

Millbrook-Rolland Township Fire Department
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2006

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 206,602
---	------------

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	449,832
Accumulated depreciation	<u>(264,811)</u>

Total Net Assets - Governmental Activities	<u>\$ 391,623</u>
--	-------------------

See notes to financial statements

Millbrook-Rolland Township Fire Department
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2006

	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES		
Local sources:		
Township contributions	\$ 65,899	\$ 65,899
County of Mecosta	5,876	5,876
Charges for services	8,500	8,500
Interest	1,295	1,295
Rents	1,200	1,200
Other:		
Donations	1,000	1,000
Miscellaneous	4,458	4,458
Total revenues	<u>88,228</u>	<u>88,228</u>
EXPENDITURES		
Current:		
Public safety:		
Firefighter salaries	13,580	13,580
Insurance-building & vehicle	11,810	11,810
Vehicle fuel, parts & repairs	9,389	9,389
Minor equipment	9,164	9,164
Gas & electric	5,012	5,012
Building maintenance	1,649	1,649
Board members salaries	1,515	1,515
Telephone & cellular	1,276	1,276
Social security	1,155	1,155
Medical supplies	1,115	1,115
Radio maintenance	931	931
Training	800	800
Office & miscellaneous supplies	751	751
Mileage & meals	197	197
Professional fees	184	184
Fire department dues	100	100
Miscellaneous	30	30
Capital outlay	72	72
Total expenditures	<u>58,730</u>	<u>58,730</u>
Net changes in fund balances	29,498	29,498
Fund balances-beginning	<u>177,104</u>	<u>177,104</u>
Fund balances-ending	<u>\$ 206,602</u>	<u>\$ 206,602</u>

See notes to financial statements

Millbrook-Rolland Township Fire Department
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$ 29,498
---	-----------

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense.

The amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 9,236	
Depreciation expense	(51,637)	(42,401)
Change in net assets of governmental activities		<u>\$ (12,903)</u>

See notes to financial statements

**Millbrook-Rolland Township Fire Department
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Local sources	\$ 50,500	\$ 50,500	\$ 71,775	\$ 21,275
Charges for services			8,500	8,500
Interest			1,295	1,295
Rents	1,200	1,200	1,200	
Other			5,458	5,458
Total revenues	<u>51,700</u>	<u>51,700</u>	<u>88,228</u>	<u>36,528</u>
EXPENDITURES				
Public safety:				
First responders	12,700			
Firefighter salaries	8,000	14,000	13,580	420
Insurance-bldg & veh	12,000	12,000	11,810	190
Vehicle maintenance	5,000	10,000	9,389	611
Minor equipment	7,000	10,000	9,164	836
Gas & electric	2,500	5,500	5,012	488
Building maintenance	1,800	1,800	1,649	151
Board members salaries	1,500	1,500	1,515	(15)
Telephone & cellular	1,200	1,200	1,276	(76)
Social security	1,800	1,800	1,155	645
Medical supplies	1,500	1,500	1,115	385
Medical tests & shots	400	400		400
Radio maintenance	500	1,000	931	69
Training	700	900	800	100
Office & misc supplies	400	900	751	149
Mileage & meals	200	200	197	3
Professional fees	300	300	184	116
Fire dept. dues	350	350	100	250
Miscellaneous	450	450	30	420
Capital outlay	2,000	2,000	72	1,928
Total expenditures	<u>60,300</u>	<u>65,800</u>	<u>58,730</u>	<u>7,070</u>
Net change in fund balances	(8,600)	(14,100)	29,498	43,598
Fund balances-beg.	<u>177,104</u>	<u>177,104</u>	<u>177,104</u>	
Fund balances-ending	<u>\$168,504</u>	<u>\$163,004</u>	<u>\$206,602</u>	<u>\$ 43,598</u>

See notes to financial statements

Millbrook-Rolland Township Fire Department
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The financial statements of the Millbrook-Rolland Township Fire Department (the Fire District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire Department's accounting policies are described below.

A. Reporting entity

The Townships of Millbrook and Rolland have formed a volunteer fire department. It was established for the purpose of furnishing fire protection throughout the Townships of Millbrook and Rolland, and they have also contracted with the Township of Broomfield for their fire protection.

The Fire Department's administrative board consists of five members who are appointed by the Townships. This board also appoints a fire chief.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Fire Department has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire Department and are recognized as revenue at that time.

The Fire Department reports the following major governmental funds:

The *special revenue fund* is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Fire Department to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which maturity not more than 270 days after the date of purchase. The Fire Department is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Board of Directors has designated one bank for the deposit of Fire Department funds.

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Fire Department as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Fire Department is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Fire trucks, pumpers, trailers	10 years
Minor equipment	5 years

3. *Compensated absences*

The Fire Department does not have a compensated absence policy.

4. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Fire Department does not have any long-term obligations as of March 31, 2006.

5. *Fund balance*

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

6. *Use of estimates*

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Fire Department follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Board of Directors a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Board of Directors as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has been amended.

B. Excess of expenditures over appropriations

During the year ended March 31, 2006, the Fire Department has

not incurred expenditures in the public safety activity which were in excess of amounts appropriated.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Fire Department's deposits and investments were \$131,602 and the bank balance was \$131,419, of which \$131,419 was covered by federal depository insurance. There is a petty cash amount of \$183 included in the carrying amount of deposits.

Investments

The Fire Department had the following investments at Isabella Bank & Trust as of March 31, 2006:

Isabella Bank & Trust-CD	(#6798)	\$ 25,000
Isabella Bank & Trust-CD	(#6799)	25,000
Isabella Bank & Trust-Cd	(#6800)	<u>25,000</u>
Total		<u>\$ 75,000</u>

Interest Rate Risk - The Fire Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Fire Department's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Fire Department shall deposit excess monies in the special revenue fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Fire Department shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Fire Department held in trust by the financial institution or bank. The Fire Department may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Fire Department.

The Fire Department has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Fire Department places no limit on the amount of the Fire Department may invest in any one issuer. All of the Fire Department's investments are reported in the Special Revenue Fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 131,419
Petty cash	183
Investments	<u>75,000</u>
Total	<u>\$ 206,602</u>
Cash and cash equivalents:	
Special revenue fund	\$ 206,602
Checks written in excess of deposits	<u>-</u>
Total	<u>\$ 206,602</u>

B. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital assets, not being depreciated	\$ 10,000	\$	\$ 10,000
Capital assets being depreciated:			
Buildings	4,719	72	4,791
Fire trucks, pumpers trailers	347,631		347,631
Minor equipment	<u>78,246</u>	<u>9,164</u>	<u>87,410</u>
Total capital assets being depreciated	<u>430,596</u>	<u>9,236</u>	<u>439,832</u>
Less accumulated depreciation for:			
Buildings	(236)	(308)	(544)
Fire trucks, pumpers, trailers	(173,815)	(34,763)	(208,578)
Minor equipment	<u>(39,123)</u>	<u>(16,566)</u>	<u>(55,689)</u>
Total accumulated depreciation	<u>(213,174)</u>	<u>(51,637)</u>	<u>(264,811)</u>
Total capital assets, being depreciated, net	<u>217,422</u>	<u>(42,401)</u>	<u>175,021</u>
Governmental activities capital assets-net of depreciation	<u>\$ 227,422</u>	<u>\$ (42,401)</u>	<u>\$ 185,021</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public safety	<u>\$ 51,637</u>
Total depreciation expense- governmental activities	<u>\$ 51,637</u>

IV. Other information

A. Risk management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Fire Department has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Fire Department does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended March 31, 2006, the Fire Department implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Board of Directors
Millbrook-Rolland Township Fire Department
Mecosta and Isabella Counties, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Board of Directors, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

August 14, 2006